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SUBJECT: IN TAJIKISTAN, A LUMP OF COAL IS NOT SUCH A BAD THING

REF: Dushanbe 637

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1. (SBU) SUMMARY: Nothing would please the Tajik government more than big lumps of coal in their stockings this Christmas, preferably from a U.S.-financed mine that fuels a thermal power station. At a May 29 roundtable meeting on "Integrated Development of Coal and Power Projects and Reconstruction of Thermal Power Plants for Coal Fuel" sponsored by the Tajik Ministry of Energy and Industry, investors, donors and the government signed a declaration to study Tajikistan's coal reserves, with an end goal of year-round electricity production for domestic use and export. The United States agreed to consider reassigning Trade and Development Agency grant money already allocated to Tajikistan for a coal-related feasibility study, should the Ministry submit a sensible proposal that supports our regional energy goals. END SUMMARY.

2. (SBU) At the day-long meeting, the Ministry had a focused agenda and concrete answers to donor questions about feasibility and goals. After opening remarks by Minister of Energy Sherali Gulov, Deputy Prime Minister Asadullo Ghulomov included in his own comments specific references to a May 28 meeting with SCA Senior Advisor Bob Deutsch (septel), noting that Tajikistan was ready to comply with all international standards on power purchase agreements. "We commit ourselves to upgrading Tajik law in those areas where we do not meet international norms." Deputy Minister of Energy Pulod Mukhiddinov outlined Tajikistan's coal potential, notably deposits at Fon Yaghnob, Nazar Aylok and Ziddi, and the possibility of converting gas-powered thermal stations in Dushanbe and Yavan to coal-fueled. All noted that despite rich hydropower potential, coal-powered electricity would help meet the demand during Tajikistan's winter months, when most of the country sits in the dark, and help meet year-round export commitments.

3. (SBU) Prospective investors made presentations about their interest and experience in the coal sector. Presenters included the U.S. firm AES, Russia's RAO UES, three Kazakh firms, (one having already invested \$1 million in a Tajik coal field), a British consultant, and Chinese equipment manufacturers. Among the conference's 80 participants were local representatives from the major international financial institutions -- World Bank, Asian Development Bank, European Bank for Reconstruction and Development, International Finance Corporation, Islamic Development Bank, Eurasian Development Bank -- plus

Washington-based World Bank Energy advisor Raghu Sharma.

¶4. (SBU) At the end of the meeting, which finished a remarkable five hours ahead of schedule, Sharma and Ghulomov facilitated a discussion of the next steps to developing the coal sector and finalized a "conclusions" declaration, which outlined participants' intent and narrowed the focus to the Fon Yaghnob deposit and possible rehabilitation of the Dushanbe and Yavan stations. The declaration included commitments to uphold environmental and safety standards and create a "shell company" based on an Indian model that would obtain the necessary clearance and conduct the feasibility studies, and then be transferred to the private investor selected to develop the project.

¶5. (SBU) Ghulomov repeated a previous appeal to the U.S. government to reallocate TDA grant money to a coal feasibility study; based on Deutsch's earlier meetings with Ghulomov, Pol/Econ chief agreed that this would be possible if there were a concrete proposal that supported U.S. regional electricity goals, including developing an electricity source that could provide Afghanistan with year-round power.

¶6. (SBU) In a likely effort to demonstrate strong government commitment to the project, the Tajiks trotted out other economic heavy hitters, including the chairman of the Tajik Aluminum Company, the head of Tajik State Savings Bank, the deputy of Orien Bank (Tajikistan's largest commercial financial institution), the Minister of Economic Development, the Presidential Advisor on Energy (and former Minister of Energy), and most of the Ministry of Energy and Industry.

¶7. (SBU) Comment: The concrete goals and presentations of this meeting contrasted sharply with the April roundtable for consultants on a regional electricity trade project (reftel) where Tajik officials remained in the realm of the theoretical, making the pitch for any and all generation projects. Ghulomov, who missed the last meeting due to medical treatment, was active

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and engaged in the discussion, and seemed to have taken Deutsch's comments about international standard agreements to heart. He assured investors and donors that Tajikistan was ready to move forward quickly to ensure that thermal-generated electricity could be part of the regional electricity trade. We hope he means it. End Comment.
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